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Texas Medicaid and CHIP Pay for Quality (P4Q) Technical Specifications	**May 1, 2016**
	Version 2.1

DOCUMENT HISTORY LOG

STATUS[1]	DOCUMENT REVISION[2]	EFFECTIVE DATE	DESCRIPTION[3]
Baseline	2.0	September 15, 2014	Initial version Uniform Managed Care Manual Chapter 6.2.12, "Texas Medicaid and CHIP Pay for Quality (P4Q) Technical Specifications." Chapter 6.2.12 applies to contracts issued as a result of HHSC RFP numbers 529-08-0001, 529-10-0020, 529-12-0002, and 529-13-0042.
Revision	2.0	May 1, 2016	Version 2.1 applies to contracts issued as a result of HHSC RFP numbers 529-08-0001, 529-10-0020, 529-12-0002, 529-13-0042, and 529-13-0071. Applicability is modified to add the STAR Kids Program. Section II. A. is clarified. Section II. E. is clarified.

[1] Status should be represented as "Baseline" for initial issuances, "Revision" for changes to the Baseline version, and "Cancellation" for withdrawn versions

[2] Revisions should be numbered according to the version of the issuance and sequential numbering of the revision—e.g., "1.2" refers to the first version of the document and the second revision.

[3] Brief description of the changes to the document made in the revision.

I. Applicability of Chapter 6.2.12

Applicability modified by Version 2.1

This chapter applies to Managed Care Organizations (MCOs) participating in the STAR, STAR+PLUS, STAR Kids, and CHIP Programs. In this chapter, references to "CHIP" or the "CHIP Managed Care Program(s)" apply to the CHIP Program. References to "Medicaid" or the "Medicaid Managed Care Program(s)" apply to the STAR, STAR+PLUS, and STAR Kids Programs. The term "MCO" includes health maintenance organizations (HMOs), exclusive provider organizations (EPOs), insurers, and any other entities licensed or approved by the Texas Department of Insurance.

The requirements in this chapter apply to all Programs referenced above, except where noted.

II. Texas Pay-for-Quality (P4Q) Program Technical Specifications

A. Overview of Program Methodology

Section II. A. modified by Version 2.1

The Texas P4Q Program is based on the concept of incremental improvement where each MCO is (1) incentivized to improve its own quality performance each year and (2) evaluated based on its success in achieving such improvement. A gap closure approach to each P4Q quality measure is used where a minimum threshold is set, establishing a minimum quality score at which MCOs become eligible to earn positive quality points. MCOs with scores below the minimum threshold for a measure will not be eligible to earn positive points for incremental improvement, but will not be penalized as long as they show year-to-year improvement in the measure. An attainment goal is specified which represents a recognized level of excellence for the specific quality measure. Both minimum thresholds and attainment goals are determined at the discretion of HHSC.

Each MCO is expected to close the gap between the attainment goal and the MCO's baseline performance by 15 percent each year. This *15 percent annual gap closure target* is not referring to a 15 percentage point annual increase in the measure, but is 15 percent of the difference between the attainment goal and the MCO's prior year. For example, if a health MCO's current performance is 60 percent for the measure and the attainment goal is 70 percent, the gap is 70 percent - 60 percent or 10 percentage points. Correspondingly, 15 percent of the gap equals 0.15 x 10 percentage points or 1.5 percentage points. The 15 percent annual gap closure target will be achieved if the MCO improves from 60 percent to 61.5 percent on the measure. Higher scores on the Healthcare Effectiveness Data Information Set (HEDIS®) measures correspond to higher quality. However, lower Potentially Preventable Event (PPE) expenditures are indicative of higher quality. For this reason, improvement for the PPE measures is defined by a reduction in PPE expenditures. PPE expenditures are calculated using

standardized resource units rather than paid amounts to eliminate any extraneous market-based variation that is present in the paid amounts.

Quality measures used in P4Q were chosen based on their importance for clinical care and population health-- areas of emphasis defined by the HHSC. HEDIS measures must have a minimum of 30 eligible enrollees in order to have the measure included in the MCO's P4Q calculations, where "eligible" refers to meeting the specified criteria for inclusion in the denominator based on HEDIS technical specifications. For HEDIS measures with several components (for example, different age groups), the components that comprise a given measure are weighted such that each measure is given a total weight of +1.0. Other STAR, STAR+PLUS, and STAR Kids, quality measures are based on the 3M Health Information's PPEs, which include potentially preventable admission (PPA), readmission (PPR), and emergency department visit (PPV) expenditures per 1,000 member-months, with expenditures defined using standardized resource units. For CY2014 computations, HEDIS 2014 percentiles are used to set thresholds and attainment goals. For PPEs, the CY2013 program level expenditures will be risk adjusted according to 3M specifications, and these expenditures will be used for calculating the minimum thresholds and attainment goals for PPE expenditures.

B. Thresholds and Attainment Goals

The minimum thresholds for the STAR, CHIP, STAR+PLUS, and STAR Kids programs are set using the baseline year's national NCQA Medicaid 50th percentiles for HEDIS measures (with the exception of (1) both PPC prenatal/postpartum measures and (2) the HbA1c measure, which were set at the HEDIS 25th percentile) while attainment goals are set at the baseline year's 90th percentile.

Thresholds for PPEs are set as the average program wide risk adjusted expenditures (based on standardized resource units) calculated using baseline year's data, while attainment goals are set at (1) a 25 percent reduction from each MCO's starting value for those MCOs that start below the state mean or (2) a 25 percent reduction from the state mean for those MCOs that start at or above the state mean.

C. Data

Data is obtained from STAR, CHIP, STAR+PLUS, STAR Kids, enrollment and encounter records. These records are used to produce (1) member level compliance or outcomes for each measure and (2) clinical and demographic information for each member. For all 3M PPE measures, data are event-based observances of potentially preventable status of eligible admissions (PPA, PPR) or emergency department visits (PPV). Events from the qualified pool are flagged as potentially preventable, or not (0/1). Expenditures are calculated using standardized resource units and are risk-

adjusted using 3M's recommended algorithms. These standardized resource units were calculated based on both Texas-specific and 3M national data and algorithms.

D. Assignment of Points

For each HEDIS measure, raw quality points are assigned based on the actual gap closure rate and how it compares to the target gap closure rate of 15 percent. Positive points are assigned for gap closure (increasing quality) while negative points are assigned for gap widening (decreasing quality). A maximum of +5 points are assigned and a minimum of -5 points are assigned for each measure. To be eligible to earn positive points, a MCO must be at or above the minimum threshold value for the given measure. When a MCO meets or exceeds the attainment goal for a given measure, the MCO receives the full +5 raw points. If the MCO does not meet or exceed the attainment goal but scores above the minimum threshold and achieves actual gap closure of 15 percent or higher, the MCO receives +4 points. If the MCO does not meet or exceed the attainment goal, scores above the minimum threshold, and achieves actual gap closure between 0 and 15 percent, positive points are given on a "partial credit" basis.

Zero points are assigned for gap closures below ¼ of the target gap closure, +1 points for ¼ - ½ of the target gap closure, +2 points for ½ - ¾ of the target gap closure, and +3 points for ¾ to 1 of the target gap closure below the attainment goal.

For the HEDIS measures, negative points are assigned for decreasing quality ("gap widening"). Gap widening of more than -15 percent is given -5 points, with -4 points assigned for ¾ - 1 of -15 percent gap widening, -3 points for ½ - ¾ , -2 points for ¼ - ½ , and -1 point for 0 – ¼ of -15 percent gap widening. To address concerns about small year-to-year changes creating large absolute point assignments as MCOs near their attainment goal on a particular measure, there is a 5 percent hold-harmless zone below the attainment goal. If a MCO is within 5 percent of the attainment goal and incurs a year-to-year decline of 5 percent or less on the given measure, no negative points are assigned for that measure.

Summary of Raw Points Assignment Based on Actual Gap Closure

Positive Points	Gap Closure	Negative Points	Gap Closure
5	At or above attainment goal	**-5**	-15% > gap widening
4	15% or more gap closure (below attainment goal)	**-4**	-11.25%> to ≥-15%
3	11.25%≤ to <15%	**-3**	-7.5%> to ≥-11.25%

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Positive Points	Gap Closure	Negative Points	Gap Closure
2	7.5%≤ to <11.25%	**-2**	-3.75%> to ≥-7.5%
1	3.75%≤ to <7.5%	**-1**	0> to ≥-3.75%
0	0%≤ to <3.75%		

Example 1

Attainment Goal for a Particular Measure	50
Baseline Performance (is above Minimum Threshold)	40
Performance Gap	50 – 40 = 10
15% Gap Closure Goal increase	15% x (50 - 40) = 1.5 percentage point
Actual Performance	43.5
Incremental Improvement increase	43.5 – 40 = 3.5 percentage point
Gap Closure = Incremental Improvement / Performance Gap = 3.5 / 10 = 35% (> 15%)	
Points Awarded for the Measure	+4

Example 2

Attainment Goal for a Particular Measure	50
Baseline Performance (is above Minimum Threshold)	40
Performance Gap	50 – 40 = 10
15% Gap Closure Goal increase	15% x (50 - 40) = 1.5 percentage point
Actual Performance	38.5
Incremental Improvement decrease	38.5 – 40 = -1.5 percentage point
Gap Closure = Incremental Improvement / Performance Gap = -1.5 / 10 = -15%	
Points Awarded for the Measure	-4

For the PPE measures, lower values correspond with higher quality. The points assignment for the PPE measures is analogous to the points assignment for the HEDIS measures except that declines (increases) in PPE values correspond to increased (decreased) quality.

E. Adjustment Factors

Section II. E. modified by Version 2.1

The raw points for each MCO are adjusted for both MCO size and the MCO's number of missing measures.

The MCO size adjustment factor adjusts the plan's raw points total to ensure that its adjusted points total is commensurate with its relative contribution to the revenue pool. An adjustment for MCO size is necessary because the amount of dollars at-risk varies directly with a MCO's capitation revenue while raw points are assigned solely based on incremental quality improvement. Consequently, without size adjustment, the P4Q impact will vary with MCO size. Smaller MCOs will face greater risk (i.e., a greater range of positive and negative fiscal impacts) than larger MCOs. The MCO size adjustment factor equals the ratio of the MCO's program market share (MCO revenues divided by total program revenues) to the inverse of the number of MCOs in the program. This ratio is then multiplied by each MCO's raw point score to produce the MCO's size-adjusted point score.

The final adjustment to the points is for any missing measures. An adjustment for each MCO's number of missing measures is necessary because dollar allocations based on a MCO's total points will, all other factors constant, be smaller in absolute terms given missing measures. Missing measures can arise for a number of reasons, including the number of eligibles for a measure falling below the minimum of 30. The missing measure adjustment factor is the number of weighted measures in the P4Q program divided by the weighted number of non-missing measures (i.e., the weighted measures available) for the individual MCO. For example, if a program has four total weighted measures and MCO D is missing one weighted measure, MCO D's missing measure adjustment factor is 4/3 or 1.33. MCO D's final adjusted total positive and negative points are calculated by multiplying its size-adjusted positive and negative point totals by the missing measure adjustment factor.

F. Calculation of Dollar Amounts

Each MCO's total positive and negative adjusted quality points are used as the basis for calculating that MCO's P4Q positive and negative dollar amounts. Positive points earned through improvements in quality as shown by gap closure determine the dollar amounts paid to each MCO while negative points assigned because of decrements in quality as evidenced by gap widening determine the dollar amounts that each MCO

must pay into the P4Q program. This is done in such a way as to ensure fiscal balance at the program level, i.e., the dollars paid by the MCOs into the P4Q program exactly equals the dollars paid out by the P4Q program to the MCOs. The total amount paid in and total amount paid out equal 4 percent of total program capitation revenues. Also, the net impact of the P4Q program on each MCO is capped at +4 percent and -4 percent maximum gain and loss, respectively.

To ensure fiscal balance, a separate dollar amount per adjusted positive point and dollar amount per adjusted negative point for each program is calculated and applied. These dollars per positive (negative) point in conjunction with the MCO's positive (negative) adjusted point totals are used to calculate the dollars paid to (paid by) the health MCO. The steps in this process are: (1) sum individual MCO capitation revenues across all MCOs to produce total program capitation revenues, (2) divide 4 percent of total program capitation revenues by adjusted positive (negative) points summed across all program measures and MCOs to obtain the dollars per positive (negative) point for the program, and (3) calculate the dollar amounts paid to (paid by) the MCO as the product of dollars per positive (negative) point and total MCO positive (negative) points. The net dollar impact on the MCO is then the positive dollars paid to the MCO based on the MCOs' adjusted positive point total minus the negative dollars paid by the MCO based on the MCO's adjusted negative point total.

If no MCO earns more than +4 percent of its capitation revenues and no MCO pays more than -4 percent of its capitation revenues, the positive and negative dollar allocations as calculated above stand as final amounts. However, if any MCO earns more than +4 percent of its capitation revenues or pays more than -4 percent of its capitation revenues, the fiscal impact on such MCOs is capped at an absolute 4 percent of MCO revenues. The net dollar amounts outside this absolute 4 percent cap (dollars above the +4 percent cap minus the dollars below the -4 percent cap) are summed across all MCOs to produce the net dollar amount for the program beyond the cap. This total dollar amount beyond the cap is then distributed to the MCOs within the absolute 4 percent cap in proportion to MCO size so as to minimize the impact of the capping on the P4Q results. If this distribution causes any MCO to exceed the absolute 4 percent cap, the capping process is repeated until all MCOs fall within the absolute 4 percent cap.